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Agency Secretary

Air Resources Board

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Arnold Schwarzenegger
Governor

November 12, 2004

Mr. Michael R. Peevey, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Dear President Peevey:

In May 2003, the Air Resources Board sent a letter to the Public Utilities Commission to express our concern that high electricity rates for agricultural customers discourage the use of electric motors in water-pumping operations (see attached letter). In that letter, ARB recommended that the PUC consider a number of actions to reduce the cost of using electric motors for pumping irrigation water.

This letter is to urge the expedited consideration and approval of Pacific Gas & Electric's (PG&E) proposed *Application for Incentive Rates and Line Extension Rules for Conversion of Stationary Agricultural Internal Combustion Equipment* (Ag Incentive Proposal). We believe that the Ag Incentive Proposal will significantly improve air quality in the Central Valley. An expedited decision is critical given the time constraints that the agriculture industry will have in replacing diesel engines by the 2005 summer pumping season.

Even though electric motors are less expensive to purchase and maintain than diesel engines, many growers continue to use diesel engines for water pumping. This is because the current electricity rate structure results in motors having much higher operating costs than engines. (The recent increase in diesel fuel cost has not materially changed the status of agricultural electric power use.) As we mentioned in our previous letter, many growers have actually replaced electric motors with diesel engines in response to the high electricity rates for agricultural customers.

Over the past several months, ARB has been working with PG&E, Southern California Edison, the Agricultural Energy Consumers Association, the San Joaquin Valley Unified Air Pollution Control District, and the Sacramento Metropolitan and Yolo-Solano Air Quality Management Districts to encourage switching from stationary diesel-fueled irrigation pump engines to electric motors. We believe that incentive programs, such as the one proposed by PG&E, will motivate growers to switch from diesel engines to electric motors by providing economic incentives and greater long term certainty regarding the cost of electricity.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our Website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Mr. Michael R. Peevey, President
November 12, 2004
Page 2

Widespread electrification as a result of such programs would result in significant reductions in both oxides of nitrogen (NOx) and diesel particulate matter (PM) emissions. Reducing NOx and diesel PM emissions will substantially improve air quality, and greatly benefit public health and the environment in California, particularly in the Central Valley. For these reasons, we urge you to consider the significant positive environmental and health benefits when considering PG&E's rate change proposal related to agriculture.

We believe that PG&E's incentive proposal for agriculture provides unique opportunities for a PUC action that will promote public health and welfare while expanding the agricultural electric power customer base. In light of the vastly superior environmental performance of electric pumps over diesel-fueled alternatives, ARB supports PG&E and other efforts to encourage stationary diesel agricultural irrigation pump electrification whenever it is feasible.

We look forward to continuing to work with you, PG&E, and the air districts regarding agricultural engine electrification. If you have any questions or if we can provide you with further information, please call me at (916) 445-4383.

Sincerely,

/s/

Catherine Witherspoon
Executive Officer

Attachment

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Continued on next page.

Mr. Michael R. Peevey, President
November 12, 2004
Page 3

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